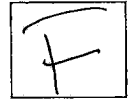


ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-02493A
Forest Highlands Water Company
657 Forest Highlands
Flagstaff, AZ 86001

RECEIVED
APR 13 2010
ACC UTILITIES DIRECTOR

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2009
----	----	------

FOR COMMISSION USE

ANN 04	09
--------	----

4-13-10

COMPANY INFORMATION

Company Name (Business Name) Forest Highlands Water Company

Mailing Address 657 Forest Highlands
(Street)

Flagstaff AZ 86001
(City) (State) (Zip)

(928) 525-5244 (928) 525-5254
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address Same as above
(Street)

(City) (State) (Zip)

Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

☐ Regulatory Contact:

☒ Management Contact: Patricia Ashbrook CFO/Secretary
(Name) (Title)

657 Forest Highlands Flagstaff AZ 86001
(Street) (City) (State) (Zip)

(928) 525-9014 (928) 525-1369
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address pashbrook@fhgc.com

On Site Manager: Bill Strauss
(Name)

658 Forest Highlands Flagstaff AZ 86001
(Street) (City) (State) (Zip)

(928) 525-5264 (928) 525-5254
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address bstrauss@fhgc.com

Statutory Agent: Donald Dykman

(Name)

2901 N. Central Ave. Ste. 200 Phoenix AZ 85012

(Street)

(City)

(State)

(Zip)

(602)285-5000

(602)285-5100

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Attorney: Same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☒ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

Forest Highlands Water Company

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization	104,284.43	0.00	104,284.43
302	Franchises	N/A	N/A	0.00
303	Land and Lan Rights	N/A	N/A	0.00
304	Structures and Improvements	202,124.00	65,876.20	136,247.80
307	Wells and Springs	1,558,330.64	669,884.10	888,446.54
311	Pumping Eupipment	1,333,647.98	1,201,313.09	132,334.89
320	Water Treatment Eupipment	N/A	N/A	0.00
330	Distripution Reservoiris and Standpipes	191,268.50	84,752.97	106,515.53
331	Transmission and Distrbution Mains	2,744,462.00	1,166,396.36	1,578,065.64
333	Services	175,200.00	88,464.00	86,736.00
334	Meters and Meter Insallations	60,034.66	51,273.60	8,761.06
335	Hydrants	226,995.00	96,472.50	130,522.50
336	Backflow Prevention Devices	N/A	N/A	0.00
339	Other Plant and Misc. Eupipment	69,469.34	24,753.01	44,716.33
340	Office Furniture and Equipment	10,904.27	10,513.19	391.08
341	Transportation Equipment	187,467.47	147,304.82	40,162.65
343	Tools, Shop and Garange Equipment	1,977.14	560.19	1,416.95
344	Laboratory Equipment	1,326.98	641.38	685.60
345	Power Operated Equipment	0.00	0.00	0.00
346	Communication Equipment	10,634.82	3,272.21	7,362.61
347	Miscellaneous Eupipment	N/A	N/A	0.00
348	Other Tangible Plant	N/A	N/A	0.00
	TOTALS	6,878,127.23	3,611,477.62	3,266,649.61

This amount goes on the Balance Sheet Acct. No. 108 _____

COMPANY NAME	Forest Highlands Water Company
---------------------	--------------------------------

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	104,284.43	0.00	0.00
302	Franchises	N/A	N/A	N/A
303	Land and Land Rights	N/A	N/A	N/A
304	Structures and Improvements	202,124.00	0.03	6,737.47
307	Wells and Springs	1,558,330.64	0.03	51,944.35
311	Pumping Equipment	1,333,647.99	0.07	99,572.59
320	Water Treatment Equipment	N/A	N/A	N/A
330	Distribution Reservoirs and Standpipes	191,268.50	0.03	4,781.72
331	Transmission and Distribution Mains	2,744,462.00	0.02	54,889.24
333	Services	175,200.00	0.03	5,840.00
334	Meters and Meter Installations	60,034.66	0.04	2,416.71
335	Hydrants	226,995.00	0.02	4,539.90
336	Backflow Prevention Devices	N/A	N/A	N/A
339	Other Plant and Misc. Equipment	69,469.34	0.10	6,763.98
340	Office Furniture and Equipment	10,904.27	0.03	304.36
341	Transportation Equipment	187,467.47	0.01	1,044.78
343	Tools, Shop and Garage Equipment	1,977.14	0.05	98.86
344	Laboratory Equipment	1,326.98	0.10	132.70
345	Power Operated Equipment	0.00	0.00	0.00
346	Communication Equipment	10,634.82	0.09	920.33
347	Miscellaneous Equipment	N/A	N/A	N/A
348	Other Tangible Plant	N/A	N/A	N/A
	Totals	6,878,127.24		239,986.99

This amount goes on the Comparative Statement of Income and Expenses _____
 Acct. No. 403. * **see attached for depreciation expense disbursement.**

The difference that you run in to each year (and will continue to encounter) is the depreciation on the contributed assets. This depreciation is not charged to expense, but rather amortizes the contributions in aid of construction liability. Here is this year's depreciation entry.

2720-02-000	Accum Amort of Contribu-In-Aid	183,771	
6800-02-000	Depreciation Expense	56,216	
1620-02-000	Accumulated Depreciation		56,216
1630-02-000	Accum Deprec - Contributed: FH		183,771
Total		<u>239,987</u>	<u>239,987</u>

In addition, we have an adjustment to accumulated depreciation this year because of the prior period errors we corrected. This adjustment should never affect your report again moving forward.

1620-02-000	Accumulated Depreciation	80,660	
1630-02-000	Accum Deprec - Contributed: FH	6,896	
2710-02-200	Contributions in Aid	105,072	
1010-02-000	Utility Plant In Service-Contrib		8,825
1020-02-000	Plant Material & Supply		4,403
1560-02-000	Transportation Equipment		39,292
2720-02-000	Accum Amort of Contribu-In-Aid		73,860
3300-02-000	Unappropriated Retained Earnings		66,248
Total		<u>192,628</u>	<u>192,628</u>

Here is a reconciliation for you:

Depreciation per Report	239,987
Allocated to Contributed Assets	<u>-183,771</u>
Depreciation per Income Stmt	<u>0</u>

Accumulated depreciation 2008	3,538,516
CY depreciation per Depr Report	239,987
2009 disposals	-79,469
Adjustment from Prior Period Error	<u>-87,556</u>
Accumulated depreciation 2009	<u>0</u>

Let me know if you need further explanation or have any additional questions.

-Dan

Dan Martin, CPA, CMA

Barry & Moore, P.C.

(602) 277-5463

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ (73,856.66)	\$ (21,674.26)
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	39,914.46	11,804.01
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	526.08	1,638.60
162	Prepayments	232.50	2,019.00
174	Miscellaneous Current and Accrued Assets	8,873.00	8,920.31
	TOTAL CURRENT AND ACCRUED ASSETS	\$ (24,310.62)	\$ 2,707.66
	FIXED ASSETS		
101	Utility Plant in Service	\$ 6,955,204.03	\$ 6,878,126.44
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	(3,538,516.11)	(3,611,478.11)
121	Non - Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	\$ 3,416,687.92	\$ 3,266,648.33
	TOTAL ASSETS	\$ 3,392,377.30	\$ 3,269,355.99

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 8.92	\$
232	Note Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	0.01	
235	Customer Deposits		
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	45,128.66	28,882.21
	TOTAL CURRENT LIABILITIES	\$ 45,137.59	\$ 28,882.21
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	2790183.38	2,571,636.38
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 2790183.38	\$ 2,571,636.38
	TOTAL LIABILITIES	\$ 2,835,320.97	\$ 2,600,518.59
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 4,861,824.00	\$ 4,861,824.00
211	Paid in Capital in Excess of Par Value	905,510.17	958,519.84
215	Retained Earnings	(5,147,708.48)	(5,151,506.46)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 619,625.69	\$ 668,837.38
	TOTAL LIABILITIES AND CAPITAL	\$ 3,454,946.66	\$ 3,269,355.97

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	metered Water Revenue	\$ 501,586.22	\$ 516,144.44
460	Unmetered Water Revenue		
474	Other Water Revenues	10,170.78	9,967.04
	TOTAL REVENUES	\$ 511,757.00	\$ 526,111.48
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 227,030.62	\$ 220,134.34
610	Purchased Water		
615	Purchased Power	59,306.92	64,305.95
618	Chemicals	656.13	344.02
620	Repairs and Maintenance	8,465.80	17,690.81
621	Office Supplies and Expense	12,210.10	10,247.76
630	Outside Services	28,500.00	28,960.00
635	Water Testing	4,874.68	4,226.67
641	Rents	16,249.67	11,881.57
650	Transportation Expense	19,676.35	16,918.97
657	Insurance - General Liability	16,047.88	19,408.31
659	Insurance - Health and Life	34,462.25	42,225.52
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense	25,906.99	24,671.35
403	Depreciation Expense	103,870.00	56,216.00
408	Taxes Other Than Income	244.01	239.61
408.11	Property Taxes	16,235.22	16,067.22
409	Income Tax	103.25	50.00
	TOTAL OPERATING EXPENSES	\$ (573,839.87)	\$ (533,588.10)
	OPERATING INCOME/(LOSS)	\$ (62,082.87)	\$ (7,476.62)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	486.49	
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$ (486.49)	\$
	NET INCOME/(LOSS)	\$ (62,569.36)	\$ (7,476.62)

COMPANY NAME

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$

Meter Deposits Refunded During the Test Year \$

N/A

COMPANY NAME	Forest Highlands Water Co.
Name of System:	ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-514733	40	82	1195	12	4	1986
55-515547	40	68	1405	12	4	1986
55-5517583	75	115	1250	12	4	1987
55-588893	30	60	1380	10	4	2002

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	5	180	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
500,000	1		

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME

Forest Highlands Water Co.

Name of System:

ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION (CONTINUED)**MAINS**

Size (in inches)	Material	Length (in feet)
2	C-900	130
3	C-900	2640
4		
5		
6	C-900	17,383
8	C-900	59,292
10	C-900	25,154
12	C-900	3,162

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
3/4	707
1	5
1 1/2	2
2	8
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	1
Turbo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

N/A

STRUCTURES:

Booster Station with 500,000 gallon tank

5 - 10 HP Booster Pumps

Diesel fire pump

3 well houses

Booster Station Building

OTHER:

N/A

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: <u>FOREST HIGHLANDS WATER COMPANY</u>	
Name of System: <u>SAME</u>	ADEQ Public Water System Number: <u>03-073</u>

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2009

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	<u>692</u>	<u>0</u>	<u>2,105</u>	
FEBRUARY	<u>693</u>	<u>3,579</u>	<u>1,089</u>	
MARCH	<u>693</u>	<u>4,179</u>	<u>4,571</u>	
APRIL	<u>693</u>	<u>18,151</u>	<u>16,206</u>	
MAY	<u>693</u>	<u>19,234</u>	<u>22,479</u>	
JUNE	<u>694</u>	<u>20,253</u>	<u>18,028</u>	
JULY	<u>696</u>	<u>24,869</u>	<u>22,701</u>	
AUGUST	<u>696</u>	<u>22,154</u>	<u>25,370</u>	
SEPTEMBER	<u>697</u>	<u>15,506</u>	<u>14,597</u>	
OCTOBER	<u>697</u>	<u>5,341</u>	<u>7,042</u>	
NOVEMBER	<u>697</u>	<u>6,604</u>	<u>7,400</u>	
DECEMBER	<u>697</u>	<u>0</u>	<u>1,479</u>	
TOTALS →		<u>139,930</u>	<u>143,067</u>	

What is the level of arsenic for each well on your system? SEE ATTACHED mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 250 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
() Yes (X) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
() Yes (X) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
() Yes (X) No

If yes, provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME: FOREST HIGHWAYS WATER COMPANY

Name of System: SAME

ADEQ Public Water System Number: 03-073

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	OTHER
JANUARY			
FEBRUARY			
MARCH			
APRIL			
MAY		2	
JUNE			
JULY		2	
AUGUST			
SEPTEMBER			
OCTOBER		1	
NOVEMBER			
DECEMBER			
TOTALS →			

OTHER (description):

Forest Highlands Water Company
System #03-073

Arsenic Levels by Well

WELL #	RESULT mg/L
1	<0.002
2	0.0047
2b	0.0060
3	<0.001
4	0.0020
5b	0.0024
8	0.0035

COMPANY NAME Forest Highlands Water Co. YEAR ENDING 12/31/2009

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2009 was: \$ 16,151.22

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

RECEIVED
APR 19 2010
ACC UTILITIES DIRECTOR

VERIFICATION

STATE OF Arizona
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	<u>Coconino</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Patricia Ashbrook CFO/secretary</u>
COMPANY NAME	<u>Forest Highlands Water Co.</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2009

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

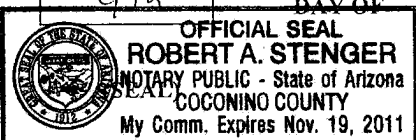
I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

[Signature]
SIGNATURE OF OWNER OR OFFICIAL
928-575-9014
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 9th DAY OF April


MY COMMISSION EXPIRES 11-19-11

COUNTY NAME Coconino
MONTH April 2010
[Signature]
SIGNATURE OF NOTARY PUBLIC

COMPANY NAME Forest Highlands Water Co. YEAR ENDING 12/31/2009

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported 0
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported 0
Estimated or Actual State Tax Liability 0

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 0
Amount of Gross-Up Tax Collected 0
Total Grossed-Up Contributions/Advances 0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

4-9-10
DATE

PATRICIA ASHBROOK
PRINTED NAME

CFO
TITLE

**VERIFICATION
AND
SWORN STATEMENT**
Intrastate Revenues Only

RECEIVED
ACC UTILITIES DIRECTOR

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	<u>Coconino</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Patricia Ashbrook CFO/Secretary</u>
COMPANY NAME	<u>Forest Highlands Water Co.</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2009</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

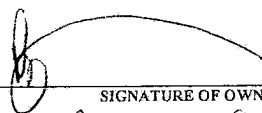
IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2009 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 526,111.48

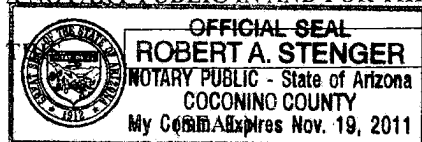
(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 37,992.41
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL
928-525-9014
TELEPHONE NUMBER

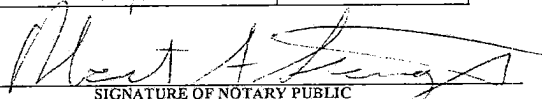
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



9th DAY OF

COUNTY NAME	<u>Coconino</u>	
MONTH	<u>April</u>	<u>2010</u>


SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 11-19-11

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE**
Intrastate Revenues Only

RECEIVED
12-1-10
ACC UTILITIES DIRECTOR

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>Coconino</u>	
NAME (OWNER OR OFFICIAL) <u>Patricia Ashbrook</u>	TITLE <u>CEO (Secretary)</u>
COMPANY NAME <u>Forest Highlands Water Co.</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2009</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2009 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 401,755.40

THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 29,629.46
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

[Signature]
SIGNATURE OF OWNER OR OFFICIAL
928-525-9014
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

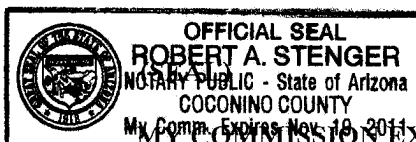
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

9th

DAY OF

NOTARY PUBLIC NAME <u>Robert Stenger</u>	
COUNTY NAME <u>Coconino</u>	
MONTH <u>April</u>	<u>2010</u>



[Signature]
SIGNATURE OF NOTARY PUBLIC



Forest Highlands Association
657 Forest Highlands
Flagstaff, AZ 86001-8434
(928) 525-9014

5395030

CHASE
Chase Bank, Arizona, NA
Flagstaff Office (041)
Flagstaff, Arizona

91-2
1221

CHECK NO.: 057229

CHECK DATE: 04/10/09

PAY *THIRTY THOUSAND ONE HUNDRED TWENTY FOUR DOLLARS AND 73 CENTS
DOLLARS *****30,124.73*

TO THE
ORDER
OF

Bonny Lynn
Coconino County Treasurer
110 E Cherry
Flagstaff AZ 86001

FOREST HIGHLANDS ASSOCIATION

⑈057229⑈ ⑆122100024⑆

0945⑈6717⑈

DEPOSIT TO
COCONINO COUNTY TREASURER

PAID TO THE ORDER OF
BONNY LYNN
COCONINO COUNTY TREASURER
110 E CHERRY
FLAGSTAFF, AZ 86001
4/15/2009
\$30,124.73
999999999

Location	Acct #	Original Acct #	Check #	Original Check #	Amount	Original Amount	Issue Date
CD	9456717	9456717	57229	57229	\$30,124.73	\$30,124.73	4/15/2009
Paid Date	Original Paid Date	Sequence	Customer Data	R/T Number	Original R/T Number		
4/15/2009	4/15/2009	3680551933		999999999	999999999		
GL Category	CD Valid/CIMS Key	CD Label	Process Control				
	09050621821501	09050621821501	000000				

\$8,117.61 of This check
belongs to water Company



Forest Highlands Association
657 Forest Highlands
Flagstaff, AZ 86001-8434
(928) 525-9014

CHASE
Chase Bank, Arizona, NA
Flagstaff Office (041)
Flagstaff, Arizona

91-2
1221

CHECK NO.: 059089

CHECK DATE: 10/10/09

PAY *FORTY ONE THOUSAND ONE HUNDRED NINE DOLLARS AND 24 CENTS

DOLLARS**41,109.24*

TO THE
ORDER
OF

Bonny Lynn
Coconino County Treasurer
110 E Cherry
Flagstaff

AZ 86001

FOREST HIGHLANDS ASSOCIATION

⑈059089⑈ ⑆122100024⑆

09456717⑈

Deposit To
COCONINO COUNTY TREASURER

PAY TO THE ORDER OF
TREASURER, COCONINO COUNTY
122100024

10 20 09

Location	Acct #	Original Acct #	Check #	Original Check #	Amount	Original Amount	Issue Date
CD	9456717	9456717	59089	59089	\$41,109.24	\$41,109.24	10/22/2009
Paid Date	Original Paid Date	Sequence	Customer Data	R/T Number	Original R/T Number		
10/22/2009	10/22/2009	5980517296		999999999	999999999		
GL Category	CD Valid/CIMS Key	CD Label	Process Control				
	09110226882801	09110226882801	000000				

\$8,033.61 of this check belongs
to the Water Company